

Message Text

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ACTION EUR-25

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FM AMEMBASSY DUBLIN

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C O N F I D E N T I A L DUBLIN 0421

E.O. 11652: GDS

TAGS: EI, PFOR, ECON

SUBJ: QUARTERLY TRENDS REPORT

SUMMARY. ALTHOUGH IRISH POSITIONS TOWARDS US/EC RELATIONS CONTINUE VERY SIMILAR TO THOSE OF THE FRENCH, THE WAY THAT WASHINGTON HAS BROUGHT INTO SHARPER FOCUS THE PROBLEMS OF THE ATLANTIC RELATIONSHIP HAS FORCED THE IRISH TO BEGIN TO THINK ABOUT LARGER SECURITY CONSIDERATIONS THAT HAVE HERETOFORE BEEN BEYOND THEIR KEN. WE DO NOT EXPECT THAT EDUCATIVE PROCESS TO BE EASY, BUT WE WELCOME THE FACT THAT IT HAS BEGUN. ON THE NORTHERN IRAWMND FRONT, THE AGREED POLITICAL SOLUTION HAS SUFFERED A SERIOUS BLOW, BUT WE DO NOT THINK THAT A FULL-SCALE CIVIL WAR IS THE MOST LIKELY SCENARIO.

1. IN THEIR ATTITUDES TOWARDS ATLANTIC RELATIONS THE IRISH CONTINUE TO SOUND A GREAT DEAL LIKE THE FRENCH. WE THINK, NEVERTHELESS, THAT THERE HAS BEEN SOME USEFUL MOVEMENT SINCE OUR LAST TRENDS REPORT. THIS BEGAN WITH THE WASHINGTON ENERGY CONFERENCE DURING WHICH THE FRENCH WERE ISOLATED AND THE IRISH WERE AT LAST FORCED, HOWEVER RELUCTANTLY, TO LINE UP WITH THEIR OTHER COMMUNITY PARTNERS AND VOTE AGAINST THE FRENCH. IT CONTINUED DURING THE FOLLOW-
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UP CONFERENCE IN WASHINGTON WHERE THE IRISH PRESSED TO INVOLVE OTHER

MEMBERS OF THE OECD, NOT AS OECD MEMBERS BUT AS INDIVIDUAL COUNTRIES WITHOUT THE UNANIMITY RULE. THIS WAS NOT WHAT THE FRENCH WANTED.

2. AT THE SAME TIME, STRENGTHENING THE COMMUNITY -- ON WHICH SO MUCH HAS BEEN STAKED AND FROM WHICH SO MUCH WAS EXPECTED -- REMAINS THE CORNERSTONE OF IRISH FOREIGN POLICY. THERE ARE NOT ATLANTICISTS IN DUBLIN, AND THE US IS THOUGHT TO BE PLACING UNNECESSARY AND UNDESIRABLE PRESSURE ON THE COMMUNITY. ON THE PERIPHERY OF EUROPE, SEIZED WITH THE PERENNIAL PROBLEM OF THEIR OWN IDENTITY, HAVING NEVER BEEN INVOLVED WITH ANYONE IN A MILITARY ALLIANCE, THE IRISH HAVE DIFFICULTY IN ADJUSTING THEIR THINKING TO THE LARGER STRATEGIC AND SECURITY CONSIDERATIONS THAT LIE AT THE HEART OF OUR OWN POLITICS TOWARD WESTERN EUROPE AND THE POLICES OF MOST WESTERN EUROPE COUNTRIES TOWARDS THE UNITED STATES. THIS IS NOT TO SAY THAT IRISH AREAS OF CONCERN WILL NOT EVENTUALLY EXPAND TO ENCOMPASS THESE CONSIDERATIONS, BUT AN EDUCATIVE PROCESS WILL BE NEEDED, AND WILL TAKE TIME. THE PACE CAN BE FORCED, AND HAS BEEN, WE THINK BY THE WAY IN WHICH WASHINGTON HAS BROUGHT INTO SHARPER FOCUS THE PROBLEMS OF THE ATLANTIC RELATIONSHIP. ON BALANCE, THE IRISH ARE PROBABLY BEING FORCED VERY SLOWLY IN THE RIGHT DIRECTION, IF NOT BY OUR OWN ARGUMENTS, THEN BY THOSE OF OTHER EC COUNTRIES.

3. THE IRISH GOVT'S MAIN ENERGIES HAVE, OF COURSE, BEEN DEVOTED TO FINDING A SOLUTION FOR CIVIL STRIFE IN NORTHERN IRELAND AND TO LAYING THE FOUNDATIONS FOR WHAT THEY HOPE WILL BE IRISH REUNIFICATION. A MODERATE COMPROMISE PACKAGE -- AIMED AT DIMINISHING NORTHERN IRELAND VIOLENCE THROUGH CONSENSUS POLITICS -- WAS AGREED BY BELFAST, LONDON AND DUBLIN AT THE SUNNINGDALE CONFERENCE. THE SUNNINGDALE PACKAGE CONTINUES IN OPERATION. IT TOOK A SERIOUS BLOW, HOWEVER, WHEN HARD-LINE PROTESTANT OPPONENTS ALMOST SWEEPED THE NORTHERN IRELAND SEATS IN BRITAIN'S GENERAL ELECTION. IF THE SUNNINGDALE AGREEMENT COLLAPSES AN INCREASE IN VIOLENCE IS POSSIBLE, BUT NOT INEVITABLE, AND FULL-SCALE CIVIL WAR WOULD STILL NOT BE THE MOST LIKELY SCENARIO. THE ODDS ARE, THEREFORE, THAT IN THE NEXT FEW MONTHS NEITHER US INTERESTS NOR PUBLIC PASSIONS WILL BE DEEPLY INVOLVED. WE SHOULD, HOWEVER CONTINUE TO DO EVERYTHING POSSIBLE TO PREVENT AMERICAN MONEY OR ARMS FROM FANNING THE CONFLICT.

4. ON THE ECONOMIC SIDE, GROWTH IN 1974 WILL FALL SUBSTANTIALLY
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BELOW THE NEAR RECORD 7-8 PERCENT RECORDED IN 1973 TO AROUND 4 PERCENT. THE ECONOMIC POLICIES OF THE COALITION GOVERNMENT, WHICH TOOK OFFICE JUST OVER 12 MONTHS AGO, HAVE BEEN GESTATING THROUGH THE YEAR AND WILL LIKELY BE FULLY EMBODIED IN THE BUDGET PRESENTATION EARLY NEXT MONTH. IT IS ALREADY CLEAR, HOWEVER, THAT THE MORE PROGRESSIVE WING OF THE COALITION IS LEADING POLICY IN THE DIRECTION OF GRADUAL BUT NECESSARY SOCIAL REFORM, WITH THE ANNOUNCEMENT OF PROPOSALS FOR CAPITAL AND WEALTH TAXATION, PROMISES OF

INCREASES IN PERSONAL INCOME TAX ALLOWANCES, AND GOOD PROSPECTS
THAT AT LEAST WEALTHY FARMERS WILL FINALLY BE DRAWN INTO THE
INCOME TAX NET. IRISH POLICIES TOWARD ECONOMIC ASPECTS OF THE EC --
SUPPORT FOR THE CAP, THE REGIONAL AND THE SOCIAL POLICIES -- WILL
REMAIN UNCHANGED. SORENSON

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